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PROPOSED

MARKETING AGREEMENT

FOR MILK

BATTLE CREEK, MICHIGAN, SALES AREA

WITH EXHIBITS

Exhibit A
Marketing PlanExhibit B
Rules for Establishment of Bases

This Marketing Agreement in its present form is proposed as the basis of a public hearing for the above-mentioned Battle Creek, Michigan, Sales Area, and none of the provisions contained herein are to be regarded as having received the approval of the Agricultural Adjustment Administration as applying to this Market.

I hereby certify that this is a true and correct copy of the Proposed Marketing Agreement for Milk, Battle Creek, Michigan, Sales Area, on file in the Office of the Chief Hearing Clerk, United States Department of Agriculture, Agricultural Adjustment Administration.

(Signed) James K. Knudson
Acting Chief Hearing Clerk.

Dated: May 12, 1934.

Washington, D. C.

PROPOSED MARKETING AGREEMENT FOR MILK

BATTLE CREEK, MICHIGAN, SALES AREA

The parties to this Agreement are the contracting distributors, the contracting producers, and the Secretary of Agriculture of the United States.

WHEREAS, it is the declared policy of Congress as set forth in Section 2 of the Agricultural Adjustment Act, approved May 12, 1933, as amended; -

- (a) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period, the base period in the case of all agricultural commodities except tobacco being the pre-war period, August, 1909 - July, 1914; and
- (b) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets; and
- (c) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer in the pre-war period, August, 1909 - July, 1914; and

WHEREAS, pursuant to the Agricultural Adjustment Act, the parties hereto, for the purpose of correcting conditions now obtaining in the production of milk and the distribution thereof in the Battle Creek, Michigan Sales Area, and to effectuate the declared policy of the Act, desire to enter into a Marketing Agreement under the provisions of Section 8 (2) of the Act:

NOW, THEREFORE, the parties hereto agree as follows:

I

As used in this Agreement, the following words and phrases shall be defined as follows:

A. "Producer" means any person, irrespective of whether any such person is also a distributor, who produces milk in conformity to the applicable health requirements of the Battle Creek Sales Area for milk to be sold for consumption as whole milk in the Battle Creek Sales Area.

"Contracting producer" means any producer or association of producers as may become a party signatory to this Agreement, according to the terms hereof.

B. "Distributor" means any of the following persons, irrespective of whether any such person is a producer or an association of producers, wherever located or operating, whether within or without the Battle Creek Sales Area, engaged in the business of distributing, marketing, or in any manner handling, in whole or in part, whole milk or cream for ultimate consumption in the Battle Creek Sales Area:

1. Persons

- (a) who pasteurize, bottle or process milk or cream;
- (b) who distribute milk or cream at wholesale or retail (1) to hotels, restaurants, stores, or other establishments for consumption on the premises, (2) to stores or other establishments for resale, or (3) to consumers;
- (c) who operate stores or other establishments selling milk or cream at retail for consumption off the premises.

2. Persons who purchase, market, or handle milk or cream for resale in the Battle Creek Sales Area.

"Non-contracting distributor" means any person who performs any of the functions hereinabove described and has not become a party signatory to this Agreement, according to the terms hereof.

C. "Battle Creek Sales Area" means that territory within the corporate limits of the city of Battle Creek and the territory within the following townships: Emmet, Penfield, Bedford, and Battle Creek in the County of Calhoun, State of Michigan.

D. "Secretary" means the Secretary of Agriculture of the United States.

E. "Act" means the Agricultural Adjustment Act approved May 12, 1933, as amended.

F. "Person" means individual, partnership, corporation, association, or any other business unit.

G. "Subsidiary" means any person of, or over whom or which, a distributor or an affiliate of a distributor has, or several distributors collectively have, either directly or indirectly, actual or legal control, whether by stock ownership or in any other manner.

H. "Affiliate" means any person and/or any subsidiary thereof, who or which has, either directly or indirectly, actual or legal control of or over a distributor, whether by stock ownership or in any other manner.

I. "Books and records" mean books, records, accounts, contracts, memoranda, documents, papers, correspondence, or other data pertaining to the business of the person in question.

J. "Market Administrator" means the person designated pursuant to Exhibit A, which is attached hereto and made a part hereof.

II

1. The schedule governing the prices at which, and the terms and conditions under which, distributors shall purchase and/or accept delivery of milk from producers, shall be that set forth in Exhibit A.

2. Except as provided in Exhibit A, no distributor shall purchase milk from producers except (a) those producers having bases, which are to be reported as provided in Exhibit B, which is attached hereto and made a part hereof, and (b) new producers pursuant to the provisions of Exhibit A.

3. No distributor shall purchase milk from any producer unless such producer authorizes such distributor, with respect to payments for milk purchased from such producer, to comply with the provisions of Exhibit A.

4. (a) The distributors shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he may request, on and in accordance with forms of reports to be supplied by him, for the purposes of (1) assisting the Secretary in the furtherance of his powers and duties with respect to this Agreement and/or (2) enabling the Secretary to ascertain and determine the extent to which the declared policy of the Act and the purpose of this Agreement are being effectuated; such reports to be verified under oath. The Secretary's determination as to the necessity of and the justification for the making of any such reports, and the information called for thereby, shall be final and conclusive.

(b) For the same purposes and/or to enable the Secretary to verify the information furnished him on said forms of reports, all the books and records of each distributor and the books and records of the affiliates and subsidiaries of each distributor, shall, during the usual hours of business, be subject to the examination of the Secretary. The Secretary's determination as to the necessity of and the justification for any such examination shall be final and conclusive.

(c) The distributors and their respective affiliates and subsidiaries shall severally keep books and records which will clearly reflect all the financial transactions of their respective businesses and the financial condition thereof.

(d) All information furnished the Secretary, pursuant to this paragraph, shall remain confidential in accordance with the applicable General Regulations, Agricultural Adjustment Administration.

5. No distributor shall purchase milk or cream from, or process or distribute milk or cream for, or sell milk or cream to, any other distributor including non-contracting distributors, who he has notice is violating any provision of this Agreement, without first reporting such violation to the Market Administrator.

6. The Secretary may, by designation in writing, name any person, including any officer or employee of the Government, to act as his representative in connection with any of the powers provided in this Agreement to be exercised by the Secretary.

7. Each distributor who is obligated to report pursuant to paragraph 4 of Section A of Exhibit A shall within thirty days after the effective date of this Agreement, furnish to the Market Administrator a bond with good and sufficient surety thereon, satisfactory to the Market Administrator (in an amount not in excess of the purchase value of the milk purchased by such distributor during any two successive delivery periods as designated by the Market Administrator) for the purpose of securing the fulfillment of such distributor's obligations as provided in Exhibit A. Any distributor who commences to do business after the effective date of this Agreement shall, as a condition precedent to engaging in such business, furnish to the Market Administrator a bond in conformity with the foregoing provision.

The Market Administrator may, (a) if satisfied from the investigation of the financial conditions of a distributor that such distributor is solvent and/or possessed of sufficient assets to fulfill his said obligations, or (b), if, pursuant to a State statute, a distributor has furnished a bond with good and sufficient surety thereon in conformity with the foregoing provision, waive the requirements of the bond as to such distributor. Such distributor may, upon a change in such circumstances, be required by the Market Administrator to comply with the foregoing requirement.

Each distributor who is unable to meet the requirements of the foregoing provisions, shall make periodic deposits with the Market Administrator at such times, in such amounts, and in such manner as the Market Administrator may determine to be necessary in order to secure the fulfillment of such distributor's obligation as provided in Exhibit A.

8. If any provision in this Agreement is declared invalid, or the applicability thereof to any person, circumstance, or thing is held invalid, the validity of such provision and of the remainder of this Agreement and/or the applicability thereof to any other person, circumstance or thing shall not be affected thereby.

9. Nothing herein contained shall be construed in derogation of the right of the Secretary to exercise any powers granted him by the Act, and in accordance with such powers, to act in the premises whenever he shall deem it advisable.

10. The distributors hereby apply for and consent to licensing by the Secretary, subject to the applicable General Regulations of the Agricultural Adjustment Administration.

11. This Agreement confers no exemption from the antitrust laws of the United States and does not make lawful any acts otherwise unlawful, excepting as provided in the Act to the extent necessary to accomplish the purposes of this Agreement.

12. This Agreement may be executed in multiple counterparts and when one counterpart is signed by the Secretary, all such counterparts shall constitute, when taken together, one and the same instrument, as if all such signatures were contained in one original.

13. After this Agreement first takes effect any producer, association of producers, or any non-contracting distributor may become a party to this Agreement, if a counterpart thereof is executed by him and by the Secretary. This Agreement shall take effect as to such new contracting party at such time as the Secretary may declare above his signature attached to such counterpart, and the benefits, privileges, and immunities conferred by this Agreement shall then be effective as to such new contracting party.

14. This Agreement shall become effective at such time as the Secretary may declare above his signature attached hereto, and shall continue in force until terminated in one of the following ways:

(a) The Secretary may, at any time, terminate this agreement as to all parties hereto, by giving at least one day's notice by means of a press release or any other manner which the Secretary may determine.

(b) The Secretary may, at any time, terminate this Agreement as to any party signatory hereto, by giving at least one day's notice by depositing the same in the mail, addressed to such party at his last known address:

(c) The Secretary shall terminate this Agreement upon the request of sixty-seven percent (67%) of the contracting producers, measured by total volume of milk produced and marketed by contracting producers for distribution as fluid milk, during the calendar

month next preceding the date of any such request, or sixty-seven percent (67%) of the distributors, measured by total volume of milk distributed by the distributors as fluid milk during such calendar month, by giving notice in the same manner as provided in section (a) of this paragraph.

(d) This Agreement shall, in any event, terminate whenever the provisions of the Act, authorizing it cease to be in effect.

15. Any term of this Agreement, with the exception of paragraph 14 hereof, may be amended upon the consent of (a) sixty-seven percent (67%) of the contracting producers, measured by total volume of milk produced and marketed by the contracting producers for distribution as fluid milk during the calendar month next preceding the date of any such amendment, and (b) sixty-seven percent (67%) of the distributors, measured by total volume of milk distributed by contracting distributors as fluid milk during such calendar month; provided, however, that any such amendment shall become effective only upon the written approval of the Secretary.

IN WITNESS WHEREOF, the contracting producers and contracting distributors, acting under the provisions of the Agricultural Adjustment Act, for the purposes and subject to the limitations therein contained, and not otherwise, have hereunto set their respective hands and seals.

WHEREAS, it is provided by Section 8 of the Act as follows:

"In order to effectuate the declared policy, the Secretary of Agriculture shall have power - - - (2) After due notice and opportunity for hearing, to enter into marketing agreements with processors, producers, associations of producers, and others engaged in the handling of any agricultural commodity or product thereof, in the current of or in competition with, or so as to burden, obstruct, or in any way affect interstate or foreign commerce. The making of any such agreement shall not be held to be in violation of any of the antitrust laws of the United States, and any such agreement shall be deemed to be lawful; Provided, That no such agreement shall remain in force after the termination of this Act."

And -

WHEREAS, due notice and opportunity for hearing to interested parties have been given pursuant to the provisions of the Act, and the regulations issued thereunder; and

WHEREAS, the Secretary finds (1) that the contracting producers are engaged in the marketing of milk, and that the contracting distributors are engaged in the distribution of fluid milk in the current of interstate commerce; and (2) that the marketing of milk and the distribution of fluid milk in intrastate commerce is inextricably intermingled with the marketing of milk and the distribution of milk in interstate commerce; and

WHEREAS, it appears, after due consideration, that this Agreement will tend to effectuate the policy of Congress declared in Section 2 of the Act, as hereinbefore in this Agreement set forth.

NOW, THEREFORE, I, Henry A. Wallace, Secretary of Agriculture, acting under the provisions of the Agricultural Adjustment Act, for the purpose and within the limitations therein contained, and not otherwise, do hereby execute this Agreement under my hand and official seal of the Department of Agriculture, in the City of Washington, District of Columbia, on this day of , and pursuant to the provisions hereof, declare this Agreement to be effective on and after M. Eastern Standard Time,

EXHIBIT A

Marketing Plan

SECTION A. Cost of Milk to Distributors.

1. Each distributor, except as hereinafter provided, shall be obligated to pay, in the manner hereinafter provided, the following prices for milk, of three and one-half percent (3 1/2%) butterfat content, which he has purchased from producers (including new producers as defined in Section F of this Exhibit), delivered f.o.b. distributor's plant in the Battle Creek Sales Area:

(Prices for the various classes of milk will be determined only after full consideration has been given to the information presented at the public hearing on this Market Agreement).

Class I - per hundredweight.

Class II: For each hundred pounds of milk, three and one-half times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the U. S. Department of Agriculture for the delivery period during which such milk is purchased plus _____ thereof.

Class III: For each hundred pounds of milk, three and one-half times the average price per pound of 92 score butter at wholesale in the Chicago market as reported by the U. S. Department of Agriculture for the delivery period during which such milk is purchased plus _____ cents.

The term "delivery period" shall mean the period from the 1st to, and including, the last day of each month.

2. Class I milk means all milk sold or distributed by distributors as whole milk for consumption in the Battle Creek Sales Area.

Class II milk means all milk used by distributors to produce cream for sale or distribution by distributors as cream for consumption in the Battle Creek Sales Area.

Class III milk means the quantity of milk purchased, sold,

or distributed by distributors in excess of Class I and Class II milk.

Milk delivered to a distributor by producers during any delivery period and sold or distributed as milk outside the Battle Creek Sales Area or sold by such distributor to another distributor (including any person who sells, uses or distributes such milk in any market with respect to which no Agreement is in effect pursuant to Section 8 (2) of the Act covering such purchase from producers and such sale as milk) shall be accounted for by the first distributor as Class I or Class II milk, respectively, unless such first distributor, on or before the date fixed for filing reports with the Market Administrator for such delivery period shall furnish to the Market Administrator proof satisfactory to the Market Administrator that such milk has been utilized for a purpose other than sale, use or distribution for ultimate consumption as milk, in which event such milk shall be classified in accordance with such other use.

Any distributor who does not sell or distribute whole milk for ultimate consumption in the Battle Creek Sales Area may purchase milk from producers who do not have established bases. Such distributor

- (a) shall not sell cream to other distributors for distribution and ultimate consumption in the Battle Creek Sales Area at a price less than the price at which such distributor sells similar cream for distribution and ultimate consumption nearest the location where milk is processed into such cream by such distributor, plus the reasonable cost of transporting such cream to the Battle Creek Sales Area;
- (b) shall not be subject to any of the terms or provisions of this Exhibit except as set forth in subdivision (a) above, with respect to milk purchased from producers who do not have established bases, but
- (c) may at any time, with respect to such milk, be required by the Market Administrator to submit reports, containing such information as the Market Administrator may require, similar to the kind of information reported by other distributors pursuant to paragraph 4 hereof, which information shall be kept confidential in the manner provided in such paragraph.

3. The established base for each producer shall be the quantity of milk allotted to such producer in accordance with the provisions of Exhibit E.

The delivered base for each producer shall be that quantity of milk delivered by such producer to distributors which is not in excess of the established base of such producer.

The delivered base for each distributor required to report pursuant to paragraph 4 (b) shall be the quantity of milk produced by such distributor and sold, used or distributed by him as Class I, Class II and Class III milk which is not in excess of the established base of such distributor. For the purpose of such computations the amount of exemption to which any distributor is entitled pursuant to the terms of paragraph 4 (b) shall be ratably deducted from (a) such distributor's total sales and uses not in excess of his established base, and (b) such distributor's total sales or uses in excess of his established base in proportion to their respective amounts.

4. (a) On or before the 5th day of each delivery period each distributor to whom milk was delivered during the preceding delivery period by producers who are not also distributors shall report to the Market Administrator with respect to milk delivered during such delivery period in a manner prescribed by the Market Administrator:

- (1) The actual deliveries (at each location) of the producers (and new producers) supplying such distributor, the total quantity of milk represented by the delivered bases of all such producers, and the total quantity of milk represented by the excesses over delivered bases of all such producers;
- (2) The actual deliveries, if any, made to him by other distributors;
- (3) The quantities of milk delivered which were sold, used or distributed by him as Class I, Class II and Class III milk, respectively; and
- (4) Such other information as the Market Administrator may request for the purpose of performing the provisions of this Exhibit.

(b) On or before the 8th day of each delivery period, each distributor who produced milk distributed by him as whole milk or cream

shall submit reports to the Market Administrator containing the same information with respect to the preceding delivery period required in subdivision (a) of this paragraph, and in addition thereto the total amount of milk produced by such distributor and sold during such delivery period as Class I, Class II and Class III milk.

Each such distributor shall be obligated to account to the Market Administrator for all of his sales of Class I, Class II and Class III milk, at the prices indicated in paragraph 1 of this Section, except that a distributor who neither

- (1) sells any part of the milk produced by him to other distributors (other than those who operate only stores or similar establishments) or to manufacturing plants, nor
- (2) purchases milk from other producers or distributors for distribution as whole milk or cream,

shall as to each delivery period receive an exemption for that volume of his sales and uses up to and including pounds of milk (such amount to be adjusted from time to time by the Market Administrator so as to approximate the average amount of Class I and Class II milk handled per retail route by all distributors), which exemption shall be ratably deducted from such distributors' Class I, Class II, and Class III sales or uses in proportion to the respective total amounts of sales in such classes. Any exemption made pursuant to this subdivision shall not be included by the Market Administrator in his computations made pursuant to paragraph 5 hereof.

Nothing contained in this subdivision shall be construed to mean that the aforesaid exemption shall apply to any distributor other than an individual who produces milk distributed by himself as whole milk or cream.

All information furnished the Market Administrator pursuant to this paragraph 4 shall remain confidential in accordance with the provisions of the applicable General Regulations, Agricultural Adjustment Administration, but any such information shall be submitted by the Market Administrator to the Secretary at any time upon the request of the Secretary.

5. With respect to each delivery period, the Market Administrator shall:

- (a) Compute the total value, in each class, of all the milk as reported by each and all distributors pur-

suant to paragraph 4, on the basis of the prices set forth in paragraph 1, which computation shall not include milk purchased by distributors from other distributors.

- (b) Compute the total quantity of milk by hundredweight represented by the delivered bases of all producers as reported pursuant to paragraph 4.
- (c) Compute the value of the milk purchased, sold or used by all distributors in excess of the total delivered bases as reported pursuant to paragraph 4 of all producers excluding new producers, by multiplying such excess quantity of milk by the price provided for in paragraph 1 for Class III milk.
- (d) Compute the total amounts to be paid to new producers by all distributors as reported pursuant to paragraph 4 on the basis of the price set forth in Section F of this Exhibit.
- (e) Compute the total value of the quantity of milk represented by the total delivered bases of all producers by subtracting from the amount obtained in subdivision (a) the amounts obtained in subdivisions (c) and (d).
- (f) Compute the blended price for the quantity of milk represented by the total delivered bases of all producers by dividing the amount obtained in subdivision (e) by the quantity of milk represented by the total delivered bases of all producers as determined in subdivision (b).

6. On or before the 10th day of each delivery period the Market Administrator shall notify all distributors who have reported pursuant to paragraph 4, of the blended price as determined above and of the Class III price as provided for in paragraph 1 above.

Each such distributor shall pay to the producers (including new producers) on or before the 15th day of each delivery period for milk delivered by such producers during the preceding delivery period subject to adjustments and deductions which are to be made pursuant to Sections B and C of this Exhibit:

- (a) to producers at the blended price for the quantity of milk delivered by each producer represented by such producer's delivered base; and

- (b) to producers at the Class III price for the quantity of milk delivered by such producers in excess of such producers' delivered bases;
- (c) to new producers at the price provided in Section F;

Provided that no provision in this Agreement shall be construed as controlling or restricting any producers' cooperative association, a party to this agreement, with respect to the actual deductions or charges, dividend or premiums to be made by such association from and/or to its members; but no such deductions or charges may be made by any such producers' cooperative association from its members, to meet a current operating loss incurred by such producers' cooperative association in its processing or distribution operations unless (a) expressly and specifically authorized by its individual members to make such deduction or charge for such purpose, and (b) the producers' cooperative association notifies the Market Administrator of the same.

7. The Market Administrator shall maintain for each distributor an adjustment account:

- (a) which shall be debited for the total value of the quantity of milk reported as received, sold, distributed or used by such distributor during the preceding delivery period computed pursuant to subdivision (a) of paragraph 5; and
- (b) which shall be credited for the total value of the quantity of milk reported by such distributor pursuant to paragraph 4 (excluding milk delivered by other distributors) on the basis of the prices to be paid to producers (and new producers) pursuant to paragraph 6.

Such credit shall be made before giving effect to the adjustments and deductions provided for in Sections B and C of this Exhibit.

Balances due to the Market Administrator on adjustment accounts with respect to milk purchased during any delivery period shall be paid to the Market Administrator on or before the 12th day of the following delivery period. Any funds so paid to the Market Administrator shall, as soon as reasonably possible, be paid out by him pro rata among distributors in proportion to the amount of adjustments to which they are entitled.

8. Any error in computation of payments or any discrepancies in reports of distributors or in the adjustment accounts shall be adjusted when settlements are made with respect to the following delivery period. Whenever the Market Administrator has a balance on hand in excess of any adjustments to be made to distributors, he may distribute such balance or any part thereof in an equitable manner among producers in the market.

9. The Market Administrator and/or the Michigan Milk Producers Association shall at all reasonable times have the right to check sampling, weighing, and butterfat tests made by distributors, for the purpose of determining the accuracy thereof. In the event of a discrepancy between weights and tests reported by distributors and weights and tests determined by the Market Administrator and/or the Michigan Milk Producers Association, settlements shall be made by distributors upon the basis of such weights and such butterfat content as the Market Administrator may in each case decide.

SECTION B. Adjustments in Payments to Producers.

1. Each distributor shall make the following payments in addition to, or make the following deductions from, the prices to be paid producers (including new producers) pursuant to paragraph 5 of Section A.

If any producer has delivered to any distributor, during any delivery period, milk having an average butterfat content other than 3.5%, such a distributor shall pay to each such producer 3¢ per hundred pounds for each one-tenth of one percent of average butterfat content above, or shall be entitled to deduct 3¢ per hundred pounds for each one-tenth of one percent of average butterfat content below 3.5%, provided that when the average wholesale price of butter in the Chicago market for any delivery period as reported in Section A is 25¢ or more per pound, then, and in that event, the above, differential of 3¢ shall be 4¢ (fractions of one-half or one-tenth of one percent or more shall accrue to the benefit of the producer, if below one-half of one-tenth of one percent to the benefit of the distributor).

2. Any distributor may, with the prior approval of the Market Administrator, make payments to producers in addition to the prices

provided for in paragraph 1 of Section A, provided that such additional payments are made to all the producers supplying such distributor with milk of similar quality and grade. No distributor may accept or render services from or to a producer or an association of producers from whom he is purchasing milk without granting or making a reasonable commercial credit or charge for such service.

SECTION C. Deductions from Payments to Producers.

1. Each distributor shall deduct 1 cent per hundredweight from the payments to be made by him pursuant to Section A in regard to all milk delivered to him, and shall pay over such deduction to the Market Administrator simultaneously with making payment to producers for milk purchased.

Each distributor, who also produces milk which is sold, used or distributed as either Class I, Class II, or Class III milk, shall, on or before the 15th day of each delivery period, pay to the Market Administrator 1 cent per hundredweight with respect to all the milk produced by such distributor and sold, used or distributed by him as Class I, Class II or Class III milk during the preceding delivery period.

2. Each distributor shall, in addition, deduct from the payments to be made by him pursuant to Section A in regard to all milk delivered to him by producers who are not members of the Michigan Milk Producers Association, an amount equal to the deductions authorized by the members of the Association, for furnishing benefits to such members, which deductions, however, shall in no event exceed 4 cents per hundredweight. Such deductions shall be paid over to the Market Administrator, simultaneously with making payments to producers for milk purchased.

3. The Market Administrator, in his discretion, may at any time waive the foregoing payments, or any part thereof for any delivery period (in which event the deductions for payments so waived shall not be made by the distributors from payments to producers); provided, however, that any such waiver shall be equal (a) among all producers with respect to the amounts paid to the Market Administrator pursuant to paragraph 1 above, and (b) among all producers not members of the Association with respect to the amounts deducted pursuant to paragraph 2 above.

4. The Market Administrator shall maintain separate accounts for the payments made to him pursuant to paragraph 1 and 2, The Market Administrator shall apportion such monies in the following manner:

(a) The payments made pursuant to paragraph 1 shall be retained by the Market Administrator to meet his cost of operation; provided, however, that any such funds which may remain over from such payments in excess of the cost of operation for any particular delivery period, shall be applied by the Market Administrator in meeting his cost of operation for the succeeding delivery period, and to the extent that it may be practical, the Market Administrator shall waive a portion of such deduction for the succeeding delivery period as hereinabove provided.

(b) The payments made pursuant to paragraph 2 shall be retained by the Market Administrator in a separate fund and shall be expended by him for the purpose of securing for producers who are not members of said Association, market information, supervision of weights and tests, guarantee against failure by distributors to make payments for milk purchased, and other similar benefits; provided, however, that the Market Administrator may, in his discretion, employ the facilities and services of any agent or agents, and pay over such funds in such amount as he may determine to such agent or agents for the purpose of securing to such nonmembers the aforementioned benefits, if such benefits to nonmembers may be more efficiently and economically secured thereby. The Market Administrator shall pay over such funds to such agent or agents, if he determines to do so, only upon the consent of such agent or agents: (a) to keep its or their books and records in a manner satisfactory to the Market Administrator; (b) to permit the Market Administrator to examine its or their books and records, and to furnish the Market Administrator such verified reports or other information as the Market Administrator may from time to time request; and (c) to disburse such funds in the manner above provided.

(c) Whenever the Market Administrator has a balance on hand in either of the accounts provided for in subdivisions (a) and (b) of this paragraph, he may distribute such balance, or any part thereof, in an equitable manner, among the producers (including new producers); provided, however, that any such distribution of the balance in the account provided for in subdivision (a) shall be made to all producers (including new producers), and any such distribution of the balance provided for in subdivision (b) shall be made only to all producers (including new producers) who are not members of the Association.

SECTION D. The Market Administrator - His Designation, Duties and Compensation.

The Secretary shall designate the Market Administrator who shall perform such duties as may be provided for him pursuant to this Agreement. The Market Administrator so designated shall be subject to removal, at any time, by the Secretary. Within forty-five (45) days after entering upon his duties, the Market Administrator shall execute and deliver to the Secretary his bond in such amount as the Secretary may determine, with surety thereon satisfactory to the Secretary, conditioned upon the faithful performance of his duties as such Market Administrator. The Market Administrator shall be entitled: (a) to reasonable compensation, which shall be determined by the Secretary; (b) to borrow money to meet his cost of operation until such time as the first payments are made to him pursuant to Section C of this Exhibit, which monies shall be repaid out of the payments retained by the Market Administrator pursuant to paragraph 4, subdivision (a), of said Section C; and (c) to incur such other expenses, including compensation for persons employed by the Market Administrator as the Market Administrator may deem necessary for the proper conduct of his duties, and the cost of procuring and continuing his bond, which total expense shall be deemed to be the cost of operation of the Market Administrator. The Market Administrator shall not be held personally responsible in any way whatsoever to any party to this Agreement or to any other person for errors in judgment, mistakes of fact or other acts, either of commission or omission, except for acts of dishonesty, fraud, or malfeasance in office.

The Market Administrator shall keep such books and records as will clearly reflect the financial transactions provided for in this Agreement. The Market Administrator shall permit the Secretary to examine his books and records at all times, and furnish the Secretary such verified reports or other information as the Secretary may, from time to time, request of him.

The Market Administrator shall have the right to examine the books and records of the distributors and the books and records of the affiliates and subsidiaries of each distributor for the purpose of (1) verifying the reports and information furnished to the Market Administrator by each distributor pursuant to this Agreement and/or (2) in the event of the failure of any distributor to furnish reports or information as required by this Agreement, obtaining the information so required.

SECTION E. Establishment of Milk Industry Board.

The Secretary may, in his discretion, at any time, establish a Milk Industry Board, which shall have representation of producers, distributors, and the public. In establishing the Milk Industry Board, the Secretary will give due consideration to the recommendations and nominations by various groups of producers, distributors and the public. The Milk Industry Board shall have such duties and powers as the Secretary may, from time to time, delegate to it in order to effectuate the provisions and purposes of this Agreement. The Secretary may further, in his discretion, authorize and direct the Market Administrator to pay over to the Milk Industry Board for the purpose of meeting its general expenses, a portion of the monies paid to the Market Administrator for his cost of operation, pursuant to Section C of this Exhibit, providing that such portion shall in no event exceed 1/4 cent per hundred pounds of milk for which such payment is made.

SECTION F. New Producers.

1. New producers shall be those producers whose milk was neither being purchased by distributors nor being distributed in the Battle Creek Sales Area within 90 days prior to the effective date of this Agreement.

2. Each distributor shall pay to each new producer for all milk delivered by or handled for such new producer from the date when such milk is first received to the end of the third full delivery period after such date (excluding any emergency period during which such producer receives payment pursuant to paragraph 5 hereof), the Class III price set forth in paragraph 1 of Section A.

3. The Market Administrator shall allot a base to each new producer prior to the expiration of the first delivery period during which his milk is being sold in the Battle Creek Sales Area, which base shall be allotted in accordance with the provisions of Exhibit B hereof.

4. Each distributor upon first receiving milk from any producer shall immediately report to the Market Administrator (1) the name of such producer, (2) the date on which such producer's milk was first received, and (3) whether or not such producer is a new producer.

5. During any emergency period when the normal supply of milk from producers (excluding new producers) is not sufficient to meet the Class I requirements of any distributor, such distributor,

with the prior approval of the Market Administrator, may pay for milk purchased from new producers at the prices provided in paragraph 1 of Section A, depending on the ultimate use of such milk, in which event such payments shall not be included in the computations as provided in paragraph 1, Section A, but shall be reported separately to the Market Administrator by the distributor who purchased the milk from such producer.

EXHIBIT B

RULES FOR ESTABLISHMENT OF BASES

1. For the purposes of the Agreement, the term "established base" as used in respect to any producer shall mean:

- (a) In the case of producers who are members of the Michigan Milk Producers Association, the quantity of milk recorded as such bases in the files and records of the Michigan Milk Producers Association; provided, that such association has given the Market Administrator access to such files and records.
- (b) In the case of producers who are not members of the Michigan Milk Producers Association, bases shall be allotted by the Market Administrator, which bases shall be equitable as compared with the bases established pursuant to subdivision (a) above.

2. The Market Administrator may make such revisions in the bases of any and all producers as he may, from time to time, deem necessary or advisable, to the end that such bases may be equitable as among producers and that the total of all established bases may, so far as practical, be equal to the total quantity of milk sold or used by distributors as Class I and Class II milk.

3. Every distributor shall, within ten days after the effective date of this Agreement, submit to the Market Administrator written reports, verified under oath, containing the following information (1) with respect to each producer who has delivered milk to such distributor, and (2) for each calendar month during the years of 1933 and 1934 or such portion thereof as the producer may have delivered milk:

- (a) The total pounds of delivered milk.
- (b) The average percentage of butterfat in such delivered milk.
- (c) The total pounds of butterfat in such delivered milk.

Each distributor required to report pursuant to paragraph 4 of Section A of Exhibit A shall, in addition to the foregoing information, include in the report submitted by him a statement containing the following information with respect to each calendar month during the years 1933 and 1934 or such portion thereof as such distributor

may have distributed or sold milk produced by himself: (a) the total quantity of milk produced by him and sold by him as Class I, Class II, and Class III milk, (b) the average percentage of butterfat in such milk, and (c) the total number of pounds of butterfat in such milk.

4. When bases are established for producers, as hereinabove provided, the Market Administrator shall notify each distributor of the bases of the producers, including those producers who are members of the Michigan Milk Producers Association, who are delivering milk to such distributor. (Before the expiration of the first three full delivery periods that the milk of a new producer is sold to distributors, the Market Administrator shall notify the distributors of the base of such new producer).

5. A producer with a base whether landlord or tenant, may retain his base when moving his entire herd from one farm to another farm.

6. A landlord who rents on shares is entitled to the entire base to the exclusion of the tenant, if the landlord owns the entire herd. If the cattle are jointly owned, by landlord and tenant, the base shall be divided between the joint owners according to the ownership of the cattle if and when such joint owners terminate the landlord-tenant relationship.

7. Any producer who voluntarily ceases to market milk in the Battle Creek Sales Area for a period of more than 45 consecutive days, shall forfeit his base. In the event that he resumes production thereafter, he shall be treated, for the purpose of these rules, as if he were a new producer.

8. Any producer may relinquish his base at any time. In the event, thereafter, such producer requests the Market Administrator to allot him a base, he shall be treated for the purpose of these rules as if he were a new producer.

9. A base may be transferred by the Market Administrator from a producer to a person who has no base, upon the transfer of the producer's entire herd to such person.

10. Any producer whose average monthly delivery of milk for any three consecutive months is less than 75 percent of his base will thereby establish a new base equal to such average monthly delivery.

